17

FILED
MAR 27 1942
CHARLES ELMORE CROPLEY
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1941

No. 1078

NATIONAL ELECTRIC PRODUCTS CORPORATION,
Petitioner,

vs.

TRIANGLE CONDUIT & CABLE CO. INC.,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE THIRD CIRCUIT AND BRIEF IN SUPPORT THEREOF

DEAN S. EDMONDS,
Counsel for Petitioner.

JOHN HOXIE,
W. PETERS BLANC,
Of Counsel.

INDEX

	PAGE
Petition	1
Summary Statement of the Matter Involved	2
Basis of Jurisdiction	4
The Question Presented	5
Reasons for Allowance of the Writ	5
Brief in Support of Petition	7
The Opinions Below	7
Jurisdiction	7
Statement of the Case	7
Specification of Error	7
Summary of Argument	7
Argument	8
I. The question presented is important and should be reviewed by this Court because the decision below defeats the policy which favors joinder of actions and establishes a rule which will result in a needless multiplicity of actions, in patent and other matters alike	8
II. The question presented is important and should be reviewed by this Court because the decision below deprives district courts of discretionary power to evaluate the relative desirability of adjudicating a controversy in a declaratory action or in a later executory action, a power which is essential to a proper administration of the courts	12
III. There is conflict between the decision of the Circuit Court of Appeals in the instant case and decisions of the Circuit Courts of Appeals for the Fourth and Seventh Circuits	16
Conclusion	20
Appendix	21
Patent Marking and Notice Statute	21
Opinion, Aeticarbone Corp. vs. National Carbon Co., Inc.	22

Table of Cases

PAGES

Acticarbone Corp. v. National Carbon Co., Inc., Decision unpublished—see appendix 20

Aetna Casualty & Surety Co. v. Quarles, et al., 92 F. (2d) 321 ..... 5, 17

Aetna Life Ins. Co. v. Haworth, 300 U. S. 227 14

American Automobile Ins. Co. v. Freundt, et al., 103 F. (2d) 613 ..... 5, 19

E. W. Bliss Co. v. Cold Metal Process Co., 102 F. (2d) 105 14

Crosley Corp. v. Hazeltine Corp., 122 F. (2d) 925 10

Franklin Brass Foundry Co. v. Shapiro & Aronson, 278 Fed. 435 11

Hazeltine Corp. v. Radio Corp. of America, 20 F. Supp. 668 11

Lances v. Letz, 115 F. (2d) 916 14

Ohio Casualty Ins. Co. v. Murphy, et al., 28 F. Supp. 252 20

U. S. Fidelity & Guaranty Co. v. Koch, 102 F. (2d) 288 ... 14

Statutes Cited

R. S. 4900 (35 U. S. Code, Sec. 49) (printed in full herein at p. 21) 2

Judicial Code, Sec. 240 (a) (28 U. S. Code, Sec. 347) 4

36 Stat. 1091, Sec. 48 (28 U. S. Code, Sec. 109) 9

IN THE

Supreme Court of the United States

OCTOBER TERM, 1941.

NATIONAL ELECTRIC PRODUCTS CORPORATION,
Petitioner,

vs.

TRIANGLE CONDUIT & CABLE CO., INC.,
Respondent.

PETITION FOR WRIT OF CERTIORARI

To the Honorable, The Chief Justice and the Associate Justices of the Supreme Court of the United States:

Petitioner, National Electric Products Corporation, asks that a writ of certiorari be issued directed to the United States Circuit Court of Appeals for the Third Circuit to review the judgment of that court entered in this case on February 10, 1942. (R. 57)

A certified transcript of the record in the case has been filed; also, pursuant to stipulation, and as the contents of the printed record relied on in this Court, a certified copy of the appendices of the briefs in the court of appeals, together with a certified copy of the record of proceedings in that court.

Summary Statement of the Matter Involved

This is an action for a declaratory judgment brought by respondent, Triangle Conduit & Cable Co., against petitioner in the United States District Court for the District of Delaware for an adjudication of patents owned by petioner. The patents deal with electrical wires and cables and with methods and machines used in making wires and cables, the business in which both parties are engaged as competing manufacturers.

The questions presented here arose on a motion by respondent for an order restraining petitioner, pending disposition of this action, from prosecuting an executory action brought by it in the Southern District of Michigan against respondent and against Sears, Roebuck & Co., one of respondent's largest customers, for patent infringement. The district court denied respondent's motion (R. 28-30) and the court of appeals affirmed this ruling (R. 41-45). On rehearing, however, the court of appeals withdrew its original opinion and reversed the ruling of the district court. It directed that petitioner's action against respondent in Michigan be restrained but left petitioner free to prosecute its action against Sears, Roebuck & Co. after severance. (R. 54-57)

The circumstances of the case are as follows:

In the latter part of December, 1940, it came to petitioner's attention that respondent was manufacturing wire and cable that infringed patents owned by petitioner and that the infringing products were being sold by one of petitioner's largest competitors, Sears, Roebuck & Co. After investigation of the situation counsel prepared formal notices of infringement pursuant to R. S. 4900 (35 U. S. Code, Sec. 49) which were approved by petitioner on January 8, 1941. At the same time petitioner gave unqualified instructions to bring suit for infringement within a reasonable time if no satisfactory replies were received. Steps were taken at once toward that end, including the drafting of a

complaint, investigation of facts establishing proper venue and formal proof of infringement. (R. 31-34)

On January 9, 1941, these notices of infringement were sent to respondent and to Sears, Roebuck & Co. No acknowledgment was made by respondent, but on January 16, 1941, one week after the notice was sent, respondent instituted the present declaratory judgment suit against petitioner in the United States District Court for the District of Delaware. Sears Roebuck did not join with respondent in this action. Petitioner proceeded with its original intention and on February 3, 1941, brought its action against respondent and Sears, Roebuck & Company in the southern division of the eastern district of Michigan where both parties could be joined, seeking against each an injunction and an accounting of profits and damages (R. 16-23; 31-34).

Thereupon, respondent filed the instant motion to restrain petitioner from proceeding with the Michigan case. On April 22, 1941, Judge Nields in the district court denied respondent's motion, finding that respondent had not been the object of harassment and had no reason to fear a campaign of intimidation; that petitioner had the right to seek relief from infringement in Michigan; and that full relief could be had only in that action (R. 28-29).*

On November 19, 1941, the court of appeals below filed an opinion affirming the ruling of the district court (R. 41-44). In that opinion the court found as fact that petitioner's Michigan suit against Sears, Roebuck was a bona fide controversy with a very large infringer and not a mere device to evade the Delaware court's jurisdiction, and that inasmuch as the cause of action against Sears, Roebuck was not included in the declaratory judgment action before the Delaware court, "it is clear that the Michigan Court

---

*A similar motion for a stay of the infringement action, addressed to the District Court of Michigan itself, was denied by Judge Moinet on May 1, 1941 (R. 39-40).

alone can dispose of the entire controversy presented in the suit pending before it." The court accordingly concluded that the district court had not abused its discretion in refusing to enjoin the prosecution of the infringement suit in Michigan, intimating that under the circumstances it would be proper to dismiss the declaratory action.*

Notwithstanding these findings, which remained unaltered, on rehearing the court of appeals below reversed its former conclusion and held that "*Regardless* of the presence of the cause of action against Sears, Roebuck & Company in the infringement suit in the Eastern District of Michigan *it was the duty of the court below* to enjoin National from proceeding with the cause of action stated in that suit against Triangle until after the present declaratory judgment action has been decided" (R. 56, emphasis ours). It is that decision which we seek to have reviewed in this Court.

Basis of Jurisdiction

The jurisdiction of this Court is invoked under Section 240(a) of the Judicial Code as amended by the Act of February 13, 1925, c. 229; 28 U. S. C. § 347.

The judgment of the Circuit Court of Appeals of the Third Circuit which petitioner seeks to have reviewed was entered on February 10, 1942 (R. 57).

---

*This question was and still is before the district court on petitioner's motion to dismiss or stay the amended complaint in the declaratory action. Due to unexpected delays in the district court this motion has not yet been heard and consequently is not directly before the Court at the present hearing. The substance of the present case, however, involves the question whether under the circumstances preference should be given to the infringement suit or the declaratory action, and this was recognized by the court below.

The Question Presented

Should an executory action be restrained in favor of a declaratory action as a matter of law in all cases where priority of the declaratory action appears, regardless of the fact that retention of the declaratory action will require duplicate trials and piecemeal settlement of a controversy which could be disposed of in its entirety as to all parties by a single trial of the issues in the executory action?

Reasons for Allowance of the Writ

The reasons for allowance of the writ are:

1. The court of appeals below has decided an important question of federal law which has not been, but should be, settled by this Court. The question is important because:

   a. The decision below defeats the policy which favors joinder of actions and establishes a rule which will result in a needless multiplicity of actions, in patent and other matters alike.

   b. The decision below deprives district courts of discretionary power to evaluate the relative desirability of adjudicating a controversy in a declaratory action or in a later executory action, a power which this Court has said they possess and which is essential to a proper administration of the courts.

2. The circuit court of appeals below has rendered a decision in conflict with the decisions of other circuit courts of appeals. The conflicting decisions are those of the Courts of Appeals for the Fourth and the Seventh Circuits in:

   Aetna Casualty & Surety Co. v. *Quarles, et al.*, 92 F. (2) 321, C. C. A. 4.

   American Automobile Insurance Co. v. *Freundt, et al.*, 103 F. (2) 613, C. C. A. 7.

WHEREFORE it is respectfully submitted that this petition for a writ of certiorari to the Circuit Court of Appeals for the Third Circuit should be granted.

DEAN S. EDMONDS,
Counsel for Petitioner.

JOHN HOXIE,
W. PETERS BLANC,
Of Counsel.

Dated: New York, N. Y., March 26, 1942.

BRIEF IN SUPPORT OF PETITION

The Opinions Below

The opinion of the district court denying respondent's motion appears at 38 F. Supp. 533. It appears in the record before this Court at pages 26-33.

The first opinion of the court of appeals affirming the decree of the district court was published in the advance sheets of 51 U. S. P. Q. at page 425, and appears in the record before this Court at pages 41-44.

The second opinion of the court of appeals reversing in part the decree of the district court has not yet been published in the advance sheets of the Federal Reporter. It appears in the record before this Court at pages 54-57.

Jurisdiction

The grounds of jurisdiction are stated in the Petition. (*ante* p. 4).

Statement of the Case

The facts of the case and the course of the proceedings below are stated in the Petition (*ante* pp. 2-4).

Specification of Error

If the petition is granted, petitioner will urge that the court of appeals below erred in reversing the decree of the district court denying respondent's motion for an injunction restraining petitioner from prosecuting its action against respondent in the southern district of Michigan.

Summary of Argument

The argument is summarized by and will follow the order of the reasons given for allowance of the writ. (*ante* p. 5).

ARGUMENT

POINT I.

The question presented is important and should be reviewed by this Court because the decision below defeats the policy which favors joinder of actions and establishes a rule which will result in a needless multiplicity of actions, in patent and other matters alike.

Petitioner set out to enforce its patent rights which it thought were being infringed by respondent, a manufacturer, and Sears, Roebuck & Company, a large customer of respondent who occupies a special position in the distribution of the infringing products and whose infringing sales were of serious consequence to petitioner's competitive position. (R. 31-32) Smaller concerns in the channels of distribution were ignored.

Petitioner proceeded in the customary manner contemplated by the patent statutes. It instructed its counsel to send notices of infringement and to bring suit if satisfactory replies were not received within a reasonable time, a matter of weeks. The notices were mailed. They contained neither threats nor demands, being formal notices pursuant to R. S. 4900 (35 U. S. Code, Sec. 49)* which provides that in the absence of patent marking "no damages shall be recovered by the plaintiff, except on proof that the defendant was duly notified of the infringement and continued, after such notice, to make, use, or vend the article so patented." Within three and a half weeks after the notices an action was commenced against respondent and Sears Roebuck in the southern district of Michigan where jurisdiction of both could be obtained. Against each, petitioner sought an injunction and an accounting of profits and damages.

---

*See Appendix, post p. 21.

Thus petitioner exercised its statutory choice of jurisdiction (36 Stat. 1091, Sec. 48, 28 U. S. Code § 109) and its privilege of joinder under Civil Procedure Rule 20 in a way to permit the claims against both respondent and Sears Roebuck to be tried out in a single proceeding. That is a matter of substantial interest to petitioner and is in accord with the policy which disapproves needless multiplication of litigation because of the extra burden to the courts and to the parties.

The decision below defeats that policy. It requires petitioner to sever its actions so that while it may continue its action against Sears Roebuck, it may not continue its action against respondent. It must submit to a separate trial of the issues of validity and infringement of the same patents in the present action in Delaware.

The one fact which led the court of appeals below to such a result is that in the interval between the notices of infringement and the commencing of petitioner's action in Michigan, while petitioner was getting proof of continued infringement, respondent alone brought this action for a declaratory judgment in Delaware. It brought it one week after the notices were sent, pretending a fear of harassment which the district court found to be groundless, saying: "Plaintiff pretends to fear a campaign of intimidation but presents no basis for such a fear." (R. 28) The court of appeals did not disturb that finding. It is not to be doubted that respondent brought this action, not to remove a threat or an uncertainty, but because of the certain imminence of an infringement action. This declaratory action could not serve any intended purpose of the declaratory judgment law. It is a procedural device which effectively obstructs the adjudication of the patent controversy by preventing the joinder in the Michigan action, where both infringers may be joined, and forcing petitioner to try two separate actions in different jurisdictions. Had Sears Roebuck joined as plaintiff in this declaratory action, the

controversy could have been adjudicated fully in one proceeding. It is the fact that one infringer alone commenced the declaratory action that prevents joinder and forces the double litigation, or will do so unless the decision below is reversed.

If the decision below were based on any special circumstance of this case, the result would carry no consequence beyond the private interest of the parties here. But the basis of the decision is a rule first announced by the same court in *The Crosley Corp.* v. *Hazeltine Corp.*, 122 F. (2d) 925, certiorari denied, March 2, 1942, and freed of any shadow of qualification in the second opinion in this case. The rule established by the decision below is that priority of action is the critical fact, regardless of all other circumstances. Whenever one party to a controversy initiates a declaratory action, the court in which it is brought is required to entertain it and to restrain any later action no matter what the court may think of the needlessness of the declaratory action or the greater desirability of having the controversy adjudicated in the later action, for reasons of speedier adjudication or more complete relief, and no matter what the consequence may be in the way of burden to the courts and to the parties. Specifically, the fact that the rule as applied here would result in two trials and two appeals, instead of one, to accomplish the same end, was not given any weight.

That the rule is an absolute one is shown by the wording of the opinion itself, where the Court below said that "it became the *duty* of that court [Delaware] to adjudicate the controversy" and that "*Regardless* of the presence of the cause of action against Sears, Roebuck & Company in the infringement suit in the Eastern District of Michigan it was the *duty* of the court below to enjoin National from proceeding with the cause of action stated in that suit against Triangle until after the present declaratory action has been decided". (R. 55-56, emphasis added) It is shown also by the contrast to the former opinion in which

the court did give effect to the fact that "the Michigan court alone can dispose of the entire controversy presented in the suit pending before it". (R. 43-44) That circumstance as well as others advanced by petitioner to show the propriety of the district court's action were put aside on the rehearing and the rule of the Crosley case was made absolute.

Such a rule will have effect in the great number of patent cases in which there are two or more large infringers and where a jurisdiction is available in which joinder of defendants is possible. That is a common situation. It will have the same effect in the many non-patent cases in which one person has similar claims against two or more persons and where the controversy is sufficiently defined by some event to enable one of the persons charged to initiate a declaratory action in a jurisdiction where the others charged can not be joined. The rule opens the door to serious abuse of the declaratory remedy because it leaves the district courts powerless to act, no matter how apparent it may be that the declaratory remedy is invoked solely as a procedural device to prevent adjudication of all claims in a single proceeding, and no matter how plainly desirable it may be to have the whole controversy decided in the later and more comprehensive action.

The situation is made more serious in patent cases by the fact that the statutory notice of infringement gives an accused infringer the opportunity to bring a hasty declaratory action, the notice being a definition of a "controversy" and proof of its existence; while the statutory requirement* of proof of continued infringement after no-

*See Franklin Brass Foundry Co. v. Shapiro & Aronson, 278 Fed. 435, 442-444, C. C. A. 3, for the interpretation of the notice statute that makes statutory notice and proof of continued infringement thereafter a condition precedent to a right of action for money recovery where there is no marking; also Hazeltine Corp. v. Radio Corporation of America, 20 F. Supp. 668, 673-4, S. D. N. Y.

tice prevents the patent owner from acting with the same promptness. The patent owner is thereby deprived of his ability to join several infringers in a jurisdiction where all are to be found and where the whole controversy can be adjudicated by a single trial; or at least if he joins them, the rule of this case requires a severance and a suspension of action against the party which has raced elsewhere with a declaratory action.

A rule so absolute, so far reaching in its effect, and so plainly capable of being used to defeat the policy of joinder and to pervert the declaratory remedy, should, we submit, be reviewed by this Court as a matter of general importance in the administration of the courts.

POINT II

The question presented is important and should be reviewed by this Court because the decision below deprives district courts of discretionary power to evaluate the relative desirability of adjudicating a controversy in a declaratory action or in a later executory action, a power which this Court has said they possess and which is essential to a proper administration of the courts.

The court of appeals below made it an absolute rule that it is the "duty" of the district court to entertain the declaratory action and to restrain petitioner's action against respondent in Michigan. It said:

> "As we have seen in the present case the district court in Delaware first obtained jurisdiction of Triangle and National and of the controversy between them. Having taken jurisdiction of the declaratory suit brought by Triangle it became the *duty* of that court to adjudicate the controversy. The rule which we announced in the Crosley case *required it* to restrain the parties from seeking to have the district court in Michigan duplicate that adjudication." (Emphasis added)

This passage, and the whole opinion, show that the court of appeals did not find an abuse of discretion in the action of the district court; indeed it did not review the case from that standpoint as it had done in its original opinion. It put aside all considerations relevant to the exercise of discretion. The decision therefore is not based upon the particular circumstances of this case. It states a mandatory rule for the future.

We think it plain that if the court had considered only the facts of this case it would have held to its original opinion. It was its desire to create an invariable rule for the future, removing this question entirely from the realm of discretionary action in each case, that was the basis of the change in the court's decision. It feared that patent owners might abuse its original decision by joining customers in infringement actions solely to remove the controversy to a different court from that in which the declaratory action was brought. We think that fear is exaggerated. It may be assumed that some patent owners might try such an expedient, but the attempt could be detected quite easily from the circumstances. Equal or greater abuses are made possible by the rule which the court did adopt. It serves no purpose to make a rule which averts one abuse only to leave the courts powerless to check others. If the whole matter is left to the discretionary power of the district courts, all abuses can be prevented, both that which the court foresaw and those which its decision makes not only possible but incorrigible.

The question on this petition, however, is not the wisdom of the rule announced below but whether or not the rule is of such importance as to warrant review by this Court. We submit that it is. Since this Court has held that there is a generally recognized discretionary power with respect to declaratory actions, any rule which destroys that power in all cases where there is a later executory action should receive this Court's attention. It is im-

portant to parties and even more to the courts, because of its effect upon the administration of the work of the courts. District courts should not be deprived of a power which this Court has said they possess unless by express action on the part of this Court. In *Aetna Life Ins. Co.* v. *Haworth*, 300 U. S. 227, at 235, this Court said:

> "It is generally recognized that declaratory judgments are not applicable to every difference, or to every controversy, that may arise between prospective litigants. In all jurisdictions it has been declared that the court has a discretion in determining whether under the law it should declare a judgment at all in any particular case."

The existence of an area of discretion is essential, in cases of the present sort as well as where there is no later action between the parties. No one questions the great usefulness of the declaratory remedy, well illustrated in the field of patents where it enables one who has been subjected to an unfulfilled threat of suit to force the hand of a reluctant patent owner and thereby put an end to this improper use of the patent. See *Lances* v. *Letz*, 115 F. (2d) 916, 917, C. C. A. 2; *E. W. Bliss Co.* v. *Cold Metal Process Co.*, 102 F. (2d) 105 at 109, C. C. A. 6. But as Judge Clark said in *U. S. Fidelity & Guaranty Co.* v. *Koch*, 102 F. (2d) 288 at 294:

> "* * * The fundamental conception of the declaratory judgment is stabilization. So it may be as inconsistent to make action automatic after controversy is found, as to put difficulties in the way of finding controversy. For that reason both students and judges have held that the utilization of the act's machinery in particular cases is within the sound discretion of the courts."

This sensible view, held by many courts, is discarded in the decision below. Action is made automatic.

The present action is one of a common type of declaratory action, in which the plaintiff seeks a declaration that he has a defense to a claim or demand put forward against him. Such actions are frequent also in the field of insurance. If the owner of the claim then brings an action to enforce it, there arises the question whether to adjudicate the controversy in the one action or the other. The objective of course is to avoid needless duplication of actions between the same parties, and to do so by staying the one action or the other. It is evident that under differing circumstances it may be either more desirable or less desirable to adjudicate the controversy in the declaratory action. The ability of the executory action to give more comprehensive relief or speedier relief, or the fact that it permits other parties to be joined, are circumstances to be weighed and may well make it better to stay the declaratory action in favor of the executory action. Likewise, the background of the litigation is relevant. If the owner of the claim has made use of it as a threat to forward some ulterior purpose, such circumstances weigh in the direction of adjudication in the declaratory action where the initiative is with the one who has shown a more genuine wish to have the matter settled.

Often the sequence of initiating the actions is fortuitous and of no significance in itself because reflecting no circumstance that touches the real question of the greater or lesser desirability of adjudication in the declaratory suit. In patent actions, with their special anterior circumstance of a statutory infringement notice, priority will almost always fall to the infringer. He has only to draft a simple complaint after being notified, while the patent owner must get proof of continued infringement after notice, which takes some little time. If the patent owner is proceeding diligently, no declaratory action is needed and the resort to it under such circumstances makes it a procedural device which perverts its true purpose. The use of the declaratory action solely as a means of securing a priority is a perversion which the courts should have power to check.

Yet the decision below makes priority the sole fact of significance and puts a premium on this abuse of the declaratory action. The district court is left no discretion and can do nothing about it. The rule of this case makes it the duty of the court to entertain the suit regardless of any circumstance other than priority. Instead of a flexible administration of the declaratory remedy, making it effective where more useful, and denying it where it is being abused as a procedural device to attain other ends, or where the executory action provides a better means of settling the controversy, the decision below imposes a rigid rule in which the fact of least significance, unrelated in itself to any substantial consideration of desirable administration, is given dominant effect. It is not simply a matter of an undesirable result in the particular case. It is a matter of importance to the many persons whom this rule exposes to needless litigation through improper resort to the declaratory remedy, with no power of restraint in the district courts, and is of importance to the courts themselves to enable them to administer the remedy flexibly but sensibly according to circumstances that are of real significance. Such a matter should be reviewed by this Court.

POINT III.

There is conflict between the decision of the Circuit Court of Appeals in the instant case and decisions of the Circuit Courts of Appeals for the Fourth and Seventh Circuits.

As we have already pointed out, the court below held that in spite of the fact that the Michigan court alone could dispose of the entire controversy between the parties, the Delaware court was bound to retain the declaratory action and was required to restrain petitioner from proceeding against respondent in Michigan solely by rea-

son of the Delaware court's priority of jurisdiction. In thus awarding to the circumstance of priority a position of absolute control and withdrawing from the district court all discretion to consider the other compelling circumstances in the case, the court below came into conflict with the decision of the Fourth Circuit Court of Appeals in *Aetna Casualty & Surety Co.* v. *Quarles et al.*, 92 F. (2d) 321.

That case involved a policy of automobile liability insurance issued by the Aetna Casualty & Surety Company to one H. E. Quarles. While the policy was in effect Quarles' wife was injured while riding in the automobile which he was driving. Shortly after the injury she brought suit against Quarles in a South Carolina state court to recover damages. The Aetna Company was not a party to this suit, but since the policy contained a provision giving the injured party the right to sue the insurer to recover the amount of any judgment obtained against the insured, the Aetna Company filed suit in the Fourth Circuit for declaratory judgment in anticipation of such action. The company alleged collusion in the action between the husband and wife and asked judgment to the effect that it was not bound to pay any judgment that might be recovered therein. Subsequent to the institution of the declaratory action, Mrs. Quarles recovered judgment against her husband, and instituted an action at law against the company in the federal court. In spite of the fact that the declaratory action had been instituted prior to Mrs. Quarles' action for damages against the company, a motion to dismiss the declaratory action in favor of the action at law was granted by the district court. The court of appeals affirmed the action of the District Judge as the proper exercise of his discretion in view of the fact that the granting of the declaratory relief would have meant a piecemeal trying of the controversy which could be completely settled in the action at law.

After pointing out that the grant of relief in declaratory actions rested in the sound discretion of the trial judge, the Court said: (p. 324)

> "We think that this discretion should be liberally exercised to effectuate the purposes of the statute and thereby afford relief from uncertainty and insecurity with respect to rights, status and other legal relations (see Borchard, Declaratory Judgments, 101); but it should not be exercised for the purpose of trying issues involved in cases already pending, especially where they can be tried with equal facility in such cases, *or for the purpose of anticipating the trial of an issue in a court of co-ordinate jurisdiction. The object of the statute is to afford a new form of relief where needed, not to furnish a new choice of tribunals* or to draw into the federal courts the adjudication of causes properly cognizable by courts of the states. See Associated Indemnity Corp. v. Manning (D. C.) 16 F. Supp. 430." (Emphasis added).

The Court further said (p. 325):

> "The granting of the declaratory relief would have meant a piecemeal trying of the controversy without benefit to any one. Under such circumstances the court properly exercised its discretion in refusing to entertain the bill. It is well settled that the declaratory remedy should not be invoked merely to try issues or determine the validity of defenses in pending cases.
>
> • • • • • •
>
> Whether the remedy shall be accorded one who petitions for it is a matter resting in the sound discretion of the trial court, to be reasonably exercised in furtherance of the purposes of the statute. *It should not be accorded, however, to try a controversy by piecemeal, or to try particular issues without settling the entire controversy,* or to interfere with an action which has already been instituted." (Emphasis added).

The conflict extends not merely to the result, on immaterially different facts, but to the even more important matter of preserving to the district courts an area of discretion within which to decide, on all the circumstances of the case, whether the prior declaratory action or the later coercive action is the better medium for an adjudication of the controversy. The efficient administration of the work of the courts is hindered by the existence of this conflict respecting the power of the district courts in this situation.

The Court of Appeals for the Seventh Circuit has aligned itself with the Fourth Circuit Court of Appeals. In *American Automobile Ins. Co.* v. *Freundt, et al.*, 103 F. (2d) 613, the Court said (p. 617):

> "The wholesome purposes of declaratory acts would be aborted by its use as an instrument of procedural fencing either to secure delay or to choose a forum."

Again, quoting from Borchard, the Court said (p. 618):

> "'* * * where the defendant's action is about to begin or has begun, it serves no sensible end to permit a plaintiff to appear as equitable actor and start the proceedings for an autonomous declaration that he has a good defense to his opponent's pending or imminent action.'"

In concluding its opinion the Court recited the facts of *Aetna Casualty & Surety Co.* v. *Quarles* and stated (p. 619):

> "We are convinced of the soundness of the reasoning and conclusion of the Fourth Circuit Court of Appeals in the foregoing case. The opinion emphasizes that the discretion allowed by the Act 'should be liberally exercised to effectuate the purposes of the statute and thereby afford relief from uncertainty and insecurity with respect to rights, status and other legal

relations'; but the opinion also emphasizes that declaratory relief should not be granted when the result is a 'piecemeal trying of the controversies without benefit to anyone'; or when the remedy is invoked 'merely to try issues or determine the validity of defenses in pending cases.' "*

In view of the compulsion on patent owners to file notices of infringement, thereby providing infringers with the opportunity of obtaining prior jurisdiction for declaratory actions in many cases, we submit that the conflict between the court below and the Courts of Appeals for the Fourth and Seventh Circuits creates a field of uncertainty which will lead to much unnecessary and wasteful litigation if this Court does not intervene.

Conclusion

It is urged, therefore, that the petition for writ of certiorari be granted.

Respectfully submitted,

DEAN S. EDMONDS,
Counsel for Petitioner.

JOHN HOXIE,
W. PETERS BLANC,
Of Counsel.

New York, N. Y., March 26, 1942.

---

*In addition to the decisions of the Fourth and Seventh Circuit Courts of Appeals, decisions of District Courts in the Second and Sixth Circuits also reject the absolute rule of priority laid down by the court below (Ohio Casualty Ins. Co. v. Murphy et al., 28 F. Supp. 252, D. C. W. D. Ky.; Acticarbone Corporation v. National Carbon Company, Inc., D. C. S. D. N. Y., unpublished decision printed as an appendix hereto).

APPENDIX

PATENT MARKING AND NOTICE STATUTE

It shall be the duty of all patentees and their assigns and legal representatives, and of all persons making or vending any patented article for or under them, to give sufficient notice to the public that the same is patented; either by fixing thereon the word "patent", together with the number of the patent, or when, from the character of the article, this can not be done, by fixing to it, or to the package wherein one or more of them is inclosed, a label containing the like notice: *Provided, however,* That with respect to any patent issued prior to April 1, 1927, it shall be sufficient to give such notice in the form following, viz.: "Patented," together with the day and year the patent was granted; and in any suit for infringement by the party failing so to mark, no damages shall be recovered by the plaintiff, except on proof that the defendant was duly notified of the infringement and continued, after such notice, to make, use, or vend the article so patented. R. S. § 4900; 16 Stat. L. 203, as amended, c. 67, 44 Stat. L. 1058; 35 U. S. C. § 49.

IN THE UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF NEW YORK

ACTICARBONE CORPORATION,

Petitioner,

NATIONAL CARBON COMPANY, INC.,

Respondent.

EQUITY No. 82-97

Opinion

(Decided June 30, 1936)

KNOX, District Judge.

The petition for a declaratory judgment, when filed, was clearly defective in that it did not factually allege the existence of an actual controversy between the parties. Such defect, so far as Patent No. 1,497,543 is concerned, has been cured by the amendments to the original petition, subsequently filed. Nevertheless, the defect in respect to Patent No. 1,497,544 continues. Furthermore, the Court's jurisdiction of the subject matter of the petition having to do with the unfair competition charged against the respondent, there being no diversity of citizenship between the litigants, is of an extremely doubtful character. Each of these shortcomings, if such they be, can be cured by appropriate amendment. However, since the filing of the original petition respondent has asserted the rights it claims against petitioner in an ordinary patent suit. In that action the disputes of the parties may be determined. Having regard for the fact that all the issues there to be tried will be actual, and wholly unincumbered by the presence of a number that may be merely academic, I have concluded, in the exercise of discretion, to dismiss the petitioner and its amendments, and require the controversies to be presented in the suit in which respondent is complainant. In this connection it may be observed that local equity rule No. 2 will be applicable to the infringement suit, if respondent should undertake to discontinue the same.

(18)

APR 13 1942

IN THE

Supreme Court of the United States

October Term, 1941

No. 1078

NATIONAL ELECTRIC PRODUCTS CORPORATION,
Petitioner,

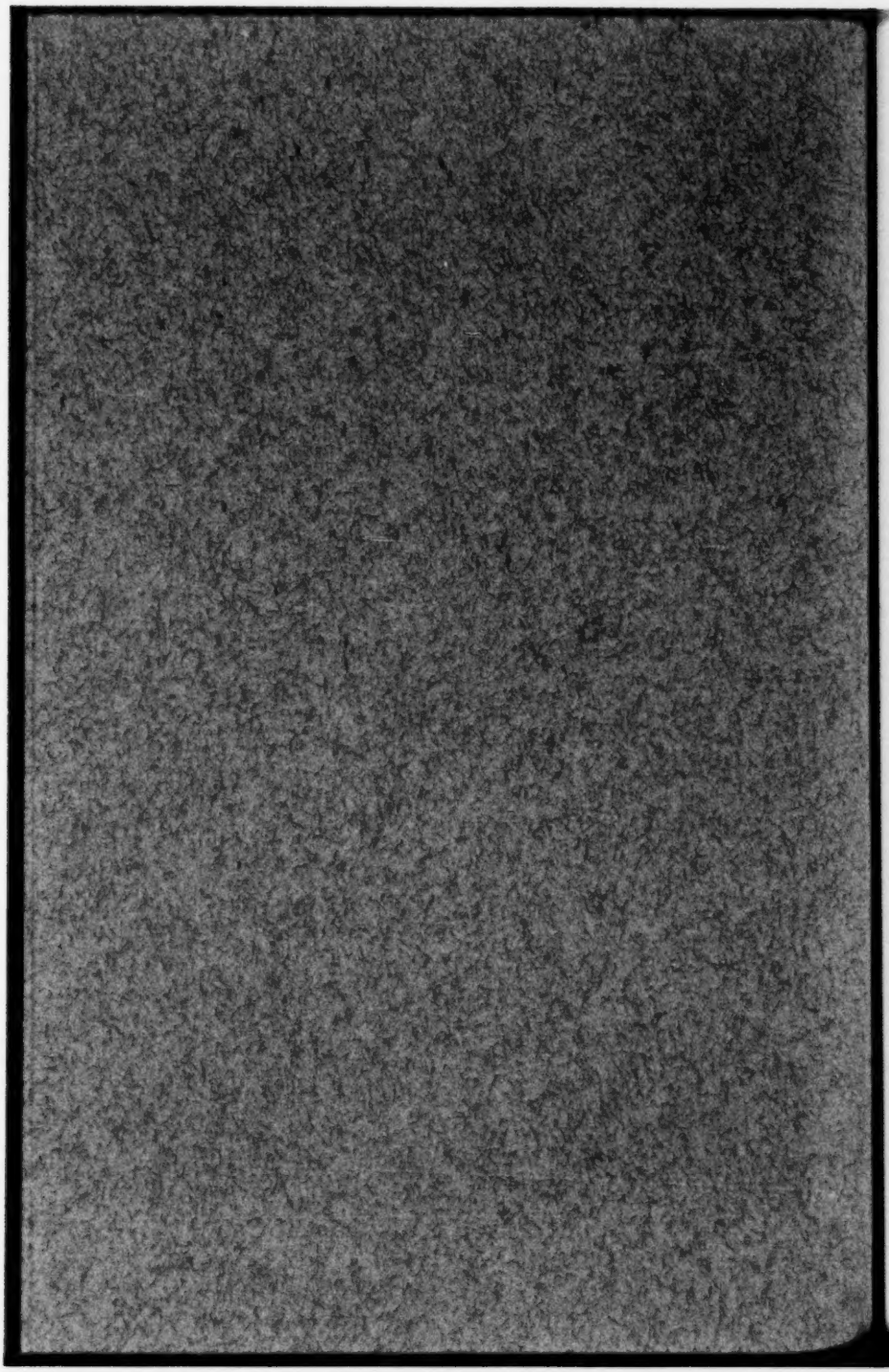
vs.

TRIANGLE CONDUIT AND CABLE CO., INC.,
Respondent.

BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

SAMUEL E. DARBY, JR.,
Counsel for Respondent.

LOUIS D. FLETCHER,
FLOYD H. CREWS,
Of Counsel.



INDEX

PAGE

Statement of the Case 2

Argument 6

List of Cases

American Automobile Ins. Co. v. Freundt, et al., 103 F. (2) 613, C. C. A. 7 10

E. W. Bliss Co. v. Cold Metal Process Co., 102 F. (2) 105, C. C. A. 6 ..... 1, 4, 9

Creamery Package Mfg. Co. v. Cherry-Burrell, 115 F. (2) 980, C. C. A. 3 9

Crosley Corp. v. Hazeltine Corp., 122 F. (2) 923, C. C. A. 3 ..... 1, 6

E. Edelmann & Co. v. Triple-A Specialty Co., 88 F. (2) 852, C. C. A. 7 ..... 5, 9

Exhibit Supply Co. v. Ace Patents Corp., Decided by U. S. Sup. Ct. Feb. 2, 1942 9

Hazeltine Corp. v. Atwater Kent Mfg. Co., 34 F. (2) 50, D. C. E. D. Pa. 3

Hofmann v. Knitting Machines Corp., 123 F. (2) 458, C. C. A. 3 9

Kessler v. Eldred, 206 U. S. 85 8

Lances v. Letz, 115 F. (2) 916, C. C. A. 2 ..... 3, 4, 9

Milwaukee Gas Specialty Co. v. Mercoid Corp., 104 F (2) 589, C. C. A. 7 ..... 1, 10

Treemond v. Schering Corp., 122 F. (2) 702, C. C. A. 3 9

Rules of Civil Procedure

Rule 13(a) 5

Rule 57 10

IN THE

Supreme Court of the United States

October Term, 1941

No. 1078

NATIONAL ELECTRIC PRODUCTS CORPORATION,
Petitioner,

vs.

TRIANGLE CONDUIT AND CABLE CO., INC.,
Respondent.

BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

The petition in this case presents no ground warranting its grant.

There is no diversity of opinion between Circuit Courts of Appeals on the single, simple question here involved. To the contrary, there is unanimity of opinion by the three Circuit Courts of Appeals that have considered the matter.[1]

Additionally, this Court on March 2, 1942, presumably for the foregoing reason, refused a writ of certiorari to review the same question in *Hazeltine Corporation* v. *The*

[1] The present case, viz: *National Electric Products Corporation* v. *Triangle Conduit and Cable Co., Inc.*, 52 U. S. P. Q. 410, C. C. A. 3; *Crosley Corp.* v. *Hazeltine Corp.*, 122 F. (2d) 925, C. C. A. 3; *Milwaukee Gas Specialty Co.* v. *Mercoid Corp.*, 104 F. (2d) 589, C. C. A. 7; *E. W. Bliss Co.* v. *Cold Metal Process Co.*, 102 F. (2d) 105, C. C. A. 6.

Crosley Corporation, No. 892, October Term, 1941; and on March 30, 1942 denied a rehearing.[2]

It is believed that a brief restatement of the material facts of the case will be helpful.

Statement of the Case.

1. Petitioner, National Electric Products Corporation (hereinafter referred to as "National"), is a Delaware corporation, and is the owner of the eleven patents involved in this case.

2. Respondent, Triangle Conduit and Cable Co., Inc. (hereinafter referred to as "Triangle"), is likewise a Delaware corporation, and is engaged in the manufacture and sale of electric wire, cables, conduits and kindred products.

3. On January 9, 1941 the firm of Pennie, Davis, Marvin & Edmonds, in behalf of National served written notice upon Triangle that Triangle's products, or their production, were considered to be infringements of the eleven patents of National (R. 11).

4. On the same day a similar notice was sent to Sears, Roebuck & Company at Chicago, Illinois (a very large customer of Triangle, buying from Triangle and reselling to retail customers large quantities of Triangle's said products) that seven of National's said patents were considered to be infringed by Sears by reason of Sears' dealing in Triangle's said products (R. 12).

5. On the same day a similar notice was sent to M. B. Austin Company of Chicago, Illinois, another large cus-

[2] Counsel for Petitioner in the *Hazeltine* case and counsel for the Petitioner in the present case are members of or associated with the same firm of attorneys (Pennie, Davis, Marvin & Edmonds). In the petition to this Court for rehearing in the *Hazeltine* case (No. 892) it was stated that the petition in the present case was about to be filed, and that "the question presented [in the present case] is fundamentally the same although the facts are different". (Petition for rehearing, p. 1.)

tomer of Triangle, which also buys and resells large quantities of Triangle's said products (R. 13).

6. Despite National's assertions to the contrary, the obvious purpose of these "notices" to Triangle's largest customers was to intimidate them and to cause them to cease to be customers of Triangle, and thus, through this commercial aggression, to force Triangle to acquire a license under National's patents, and pay tribute thereto, regardless of their merits.[3]

7. The utilization of patents in the manner and for the purpose for which National has thus used them, has long been recognized and recently judicially characterized as a patent "racket".[4] Until the Declaratory Judgment Act was enacted the manufacturer had no protection from the patent racketeer unless a suit had been brought against the manufacturer, and even then the only available remedy was by appeal to the Court *in that suit* under general principles of equity. Such appeals to the Courts by an alleged wrongdoer usually fared badly.[5]

---

[3] This is indisputably shown by the letter of February 6, 1941, to counsel for Triangle, written by Mr. Marks, attorney for Sears, wherein Mr. Marks reported a visit by counsel for National after receipt of National's "notice", from which visit Mr. Marks "*received the impression that the purpose of his* [National's attorney's] *visit was to influence Sears either to obtain a license or to modify its dealing with your client* [Triangle]" (R. 24).

[4] *Lances* v. *Letz*, 115 F. (2d) 916-917, C. C. A. 2nd.

[5] See, for example, *Hazeltine Corp.* v. *Atwater Kent Mfg. Co.*, 34 F. (2d) 50, D. C. E. D. Pa. In that case the Court said (at p. 51):

> "The plaintiff, however, has brought 26 suits in New York against sellers of the patented thing and intends at once to bring other suits in large number. The inevitable consequence has been and will be to play havoc with the whole business of the defendant by creating a panic among its patrons and customers so that they will be deterred from buying anything of the defendant."

Despite these facts, the Court denied an injunction to restrain the patent owner from such "inequitable" tactics, indulged in for "in *terrorem* purpose".

With the enactment of the Declaratory Judgment Act, however, the situation was changed. As was stated by the Court of Appeals for the Sixth Circuit in *E. W. Bliss* v. *Cold Metal Process Co.*, 102 F. (2d) 105, at page 109:

> "One of the purposes of the act was to provide a remedy to the challenger of a right the assertion of which injures him, yet who prior to the enactment of the statute was unable to secure an adjudication of his challenge until his adversary took the initiative."

9. In an exceptionally short time thereafter, the beneficial effect of the Act on the patent "racket" was so great as to be accorded published comment by Professor Borchard, as well as judicial notice. Thus, the Court of Appeals for the Second Circuit in *Lances* v. *Letz*, 115 F. (2d) 916, said (at p. 917):

> "One of the situations where the declaratory judgment is most helpful is that of patent litigation where a threat of suit for infringement has been made and not pressed for the attention of a court. 'This has had a most beneficial effect in curing what had become a racket. For patentees, none too sure of the validity of their patents, had often notified customers or licensees of their rivals or competitors of their intention to bring suit against all who dealt in the product in question'. Borchard, Declaratory Judgments, 9 Brooklyn L. Rev. 1, 30, 1939; cf. Leach v. Ross Heater & Mfg. Co., 2 Cir., 104 F. (2d) 88, 91; E. I. DuPont DeNemours & Co. v. Byrnes, 2 Cir., 101 F. (2d) 14; Zenie Bros. v. Miskend, D. C. S. D. N. Y., 10 F. Supp. 779; Mitchell v. Weber, Inc. v. Williamsbridge Mills, D. C. S. E. D. N. Y., 14 F. Supp. 954; 45 Yale L. J. 160, 1935, 1287, 1936."

10. Convinced that its products did not infringe any valid patent of National, and realizing that the only reason for National's attempt to intimidate its two largest cus-

tomers was to effect commercially what National apparently feared it could not effect by patent infringement suit, and not being willing to wait "until his adversary should see fit to begin suit after damage had accrued",[6] Triangle, on January 16, 1941, instituted this suit against National in the District Court for Delaware (the State of National's domicile) seeking a declaratory judgment as to the validity of National's said patents and the infringement thereof by Triangle's products.

11. Instead of filing a counterclaim for infringement of the patents under the provisions of Rule 13(a) of the Rules of Civil Procedure,[7] which should have been mandatory if the original charge of infringement and threat of suit had been made in good faith, National (a Delaware corporation), on February 3, 1941—*18 days thereafter*—filed a patent infringement suit in the Southern Division of the Eastern District of Michigan, joining Triangle (a Delaware corporation) and its customer Sears, Roebuck & Company (a New York corporation) as defendants, and charging both defendants with infringement of the same patents involved in the declaratory judgment suit in Delaware by reason of the manufacture and sale of Triangle's said products (R. 16).

12. Triangle thereupon presented to the Delaware Court a motion for injunction to restrain National from prose-

---

[6] *E. Edelmann & Co.* v. *Triple-A Specialty Co.*, 88 F. (2d) 852, 854, C. C. A. 7.

[7] Rule 13(a) of the Rules of Civil Procedure reads:

> "COMPULSORY COUNTERCLAIMS. A pleading shall state as a counterclaim any claim, not the subject of a pending action, which at the time of filing the pleading the pleader has against any opposing party, if it arises out of the transaction or occurrence that is the subject matter of the opposing party's claim and does not require for its adjudication the presence of third parties of whom the Court cannot acquire jurisdiction."

cuting the patent infringement suit in Michigan until after adjudication had been had in the present case (R. 6).

13. On April 22, 1941 the Delaware Court denied the injunction (R. 29, 30), and an appeal was taken.

14. On November 19, 1941 The Court of Appeals for the Third Circuit (*per* MARIS, Circuit Judge) affirmed the judgment of the District Court.

15. On December 3, 1941 a petition for rehearing was filed in the Third Circuit Court of Appeals requesting reconsideration by the Court *en banc* (R. 45-52).

16. On December 17, 1941 this petition was granted and an order entered by the Court of Appeals withdrawing its prior opinion (R. 53).

17. On February 10, 1942 the Court of Appeals, sitting *en banc*, (*per* MARIS, Circuit Judge), rendered its unanimous opinion reversing the judgment of the District Court and ordering the grant of the injunction there sought (R. 54).

Argument.

On the foregoing statement of the case it is believed that no extensive argument is necessary to show the utter want of merit in the present petition, and the complete absence of any ground which would warrant its grant.

On the bare merits of the matter it would be extremely difficult, and certainly unnecessary, to add to the opinions of the Court of Appeals below in the present cause and in *Crosley* v. *Hazeltine*, 122 F. (2nd) 925, both of which exhibit painstaking studies and analyses of the law and the reasons for its application to the facts here presented.

National advances three points of argument in support of the petition. Only brief comment thereon is required to show the want of merit in any of them.

I.

It is first asserted that the salutary rule of the Court of Appeals below in this case and in the *Crosley* case "will result in a needless multiplicity of actions" (Brief, p. 8). This assertion is based on National's disingenuous plan of joining Triangle's customer with Triangle as a defendant in the subsequently brought patent infringement suit. By reason for this, National argues that the "facts" of the cases are different, and that all of the issues of the patent infringement suit in Michigan are not before the Court in the declaratory judgment action in Delaware. As a matter of simple logic, National is forced to carry its argument to the bald assertion (Brief, pp. 9-10) that for the facts and the issues to have been the same, Triangle's customer (Sears, Roebuck & Company), would have been necessary as a plaintiff with Triangle in the present declaratory judgment action. The fallacy of such tortured reasoning is believed to be self evident. In the first place, the logical consequence of such reasoning would be that in order for a manufacturer to avail himself of the Declaratory Judgment Act with respect to a challenge to his products, he would have to join with him as a plaintiff in such action *every one of his customers, and their customers as well.* The absurdity of this is obvious.

Surely, the beneficial effects of the Declaratory Judgment Act in patent causes may not be vitiated, or the rule in the *Crosley* case avoided, by so thin a device and so obvious a subterfuge as the mere joinder of a customer with the manufacturer as a defendant in a patent infringement suit brought *subsequent* to the declaratory judgment action. The sole apparent purpose of such tactics is to attempt to nullify the declaratory judgment action previously instituted. Though it has not been necessary to raise the point

in the present case, it would seem to be obvious that an injunction ultimately should be obtainable by a manufacturer in a declaratory judgment action which would restrain a patent owner from *subsequently* suing or prosecuting any patent infringement suit subsequently brought against a customer until an adjudication of the declaratory judgment action had been had.

Additionally, it should be noted that the only justification for including Sears, Roebuck & Company as a defendant jointly with Triangle in the Michigan infringement suit is by reason of Sears' dealing in Triangle products. So far as those products are concerned, the fundamental issues of validity of National's patents, and the infringement thereof by Triangle's products, are the same in both jurisdictions. If the patents are held invalid or not infringed in the Delaware action, that disposes of both cases because National could not thereafter pursue Triangle's customers (*Kessler* v. *Eldred*, 206 U. S. 85). On the other hand, if the patents are held valid and infringed by Triangle's products, an accounting proceeding—*a supplementary proceeding*—might still be had in Michigan, because, as this Court knows, an accounting proceeding is a *supplementary* proceeding even in a patent infringement suit.

In the final analysis, the most and all that its patents afford National is the right to secure an adjudication of their validity and the asserted infringement thereof in a Court of competent jurisdiction. Triangle has voluntarily —by the present declaratory judgment action—accorded National that right, and such adjudication actually could have been had before this had National been sincere in its desire for any such thing. Instead of availing itself of this opportunity, however, National has filed an *additional* and *wholly unnecessary* suit in a jurisdiction foreign to itself as well as to both of the two defendants named therein, and

asserts the right to file as many *additional* suits against as many *additional* customers of Triangle as may exist, in as many jurisdictions as they may be located—*all in support of an argument that the Rule of the Court below in the present case* (*which forbids any such thing*) *"will result in a needless multiplicity of actions"*.

Petitioner's first point of argument, therefore, is wholly without merit or justification.

II.

National next argues that the decision below deprives the District Courts of discretionary power. Again we disagree. The District Courts still have discretionary power to determine whether there is an actual controversy so that their jurisdictions are properly invoked; they still have discretion to determine whether declaratory relief is proper. In patent cases, however, the Courts have been unanimous in holding that where, as here, a patent owner charges infringement by products of a manufacturer an actual controversy involving the validity and infringement of patent rights exists under the Declaratory Judgment Act; and they have unanimously held that the failure or refusal of a District Court to recognize that fact constitutes a reversible abuse of discretion.[8] The reason for this is quite obvious. Whenever patent rights are asserted there is a strong public interest involved.[9] It would appear to be obvious that

---

[8] *Creamery Package Mfg. Co.* v. *Cherry-Burrell,* 115 F. (2d) 980, C. C. A. 3; *E. Edelmann* v. *Triple-A Specialty Co.,* 88 F. (2d) 852, C. C. A. 7; *Lances* v. *Letz,* 115 F. (2d) 916, C. C. A. 2; *Hofmann* v. *Knitting Machines Corp.,* 123 F. (2d) 458, C. C. A. 3; *Treemond Co.* v. *Schering Corp.,* 122 F. (2d) 702, C. C. A. 3; *E. W. Bliss Co.* v. *Cold Metal Process Co.,* 102 F. (2d)105 C. C. A. 6.

[9] Cf. *Exhibit Supply Co.* v. *Ace Patents Corp.,* Nos. 154, 155, 156, decided by this Court Feb. 2, 1942.

public interest is best served by having issue joined by the primary party of interest, namely, the manufacturer whose product is accused. Usually, he, alone, has the incentive and the means to protect himself, and the public as well, by a speedy and strong defense.[10]

It is submitted as obvious, therefore, that National's second point of argument is without merit.

III.

National finally asserts an alleged conflict of decisions of Courts of Appeals on the question here presented. Again we disagree. The only conflict alleged is a conflict between patent cases and insurance cases. In an insurance case obviously there is no party who has a legal right to file a multiplicity of suits, or to send out widespread threats of suit, nor is any public interest involved in the decision of any issue presented.

In patent cases, however, the Courts of Appeals that have passed on the question are in entire agreement on the proper disposition of the question here presented, as we have asserted on page 1 of this brief.

It is of interest to note that at least one of the Courts of Appeals has drawn the proper distinction between insurance cases and patent cases. One of the insurance cases upon which National relies (*American Automobile Insurance Co. Inc.* v. *Freundt et al.*, 103 F. (2d) 613) was decided by the Seventh Circuit Court of Appeals on April 27, 1939; while the same Court, *on the following day*, decided the case of *Milwaukee Gas Specialty Co.* v. *Mercoid Corp.*, 104 F.

---

[10] Rule 57 of the Federal Rules of Civil Procedure provides:

"The Court may order a speedy hearing of an action for a declaratory judgment and may advance it on the calendar."

(2d) 589, with which decision the Third Circuit Court of Appeals below, in its decision in the present case, was in entire accord.

Conclusion.

The petition should be denied.

Respectfully submitted,

SAMUEL E. DARBY, JR.,
Counsel for Respondent.

LOUIS D. FLETCHER,
FLOYD H. CREWS,
Of Counsel.

LAWYERS PRESS, INC., 165 William St., N. Y. C.; 'Phone: BEekman 3-2300

(19)

Office - Supreme Court, U. S.
APR 17 1942
CHARLES ELMORE CROPLEY

IN THE

Supreme Court of the United States

OCTOBER TERM, 1941

No. 1078

NATIONAL ELECTRIC PRODUCTS CORPORATION,
Petitioner,

vs.

TRIANGLE CONDUIT & CABLE CO. INC.,
Respondent.

REPLY BRIEF FOR PETITIONER

On Petition for Writ of Certiorari

DEAN S. EDMONDS,
Counsel for Petitioner.

JOHN HOXIE,
W. PETERS BLANC,
Of Counsel.

TABLE OF CASES

	PAGE
E. W. Bliss Co. v. Cold Metal Process Co., 102 F. (2d) 105	2
Buckeye Incubator Co. et al. v. Boling, 46 F. (2d) 965	5
Cold Metal Process Co. v. United Engineering & Foundry Co., 79 F. (2d) 666	3
Hazeltine Corp. v. Atwater Kent Mfg. Co., 34 F. (2d) 50	3
Kessler v. Eldred, 206 U. S. 285	5
Lykken et al. v. International Pulverizing Corp. et al., 35 U. S. P. Q. 153	3
Milwaukee Gas Specialty Co. v. Mercoid Corp., 104 F. (2d) 589	2
Oil Conservation Engineering Co. v. Brooks Engineering Co., 52 F. (2d) 783	3
Rubber Tire Wheel Co. v. Goodyear Tire & Rubber Co., 232 U. S. 413	5
Selden Co. v. General Chemical Co., 73 F. (2d) 195	5
Steelman, Trustee in Bankruptcy v. All Continent Corp., 301 U. S. 278	2
Wagner et al. v. Meccano, Ltd., 239 Fed. 901	3

IN THE

Supreme Court of the United States

OCTOBER TERM, 1941

NATIONAL ELECTRIC PRODUCTS CORPORATION,
Petitioner,

vs.

TRIANGLE CONDUIT & CABLE CO., INC.,
Respondent.

REPLY BRIEF FOR PETITIONER

I.

Although respondent denies that this case warrants the issuance of a writ of certiorari, it admits in effect that different Circuit Courts of Appeals have arrived at conflicting decisions on the matter presented here. The only thing respondent offers by way of distinguishing the instant case, in which an absolute rule of priority has been created in favor of the declaratory action, from the conflicting decisions in which the declaratory action, though prior in time, has been dismissed in favor of the executory action, is that the cases in which the declaratory action has been dismissed are insurance cases while the present case involves patent infringement so that the "only conflict alleged is a conflict between patent cases and insurance cases" (Respondent's brief, p. 10).

This distinction is without substance. It is quite immaterial whether the case in which the question arises involves patents, insurance policies, contracts, other business relations, or ordinary torts. The considerations are always the same. Wherever a controversy arises in which several

parties are independently liable to a single plaintiff, or in which a single party is independently liable to several plaintiffs, whether they be infringers, beneficiaries of an insurance policy, or joint tort feasors, the question of whether it is preferable to settle the entire controversy in a single action or in several separate actions is raised. Considerations of time, labor and expense, both on the part of the Courts and of the litigants, have led the law to favor joinder of parties and causes of action wherever possible. This Court has had occasion to declare the relative unimportance of mere priority of jurisdiction as compared with substantial considerations affecting the speedy and complete adjudication of a controversy in a later action. *Steelman, Trustee in Bankruptcy* v. *All Continent Corp.*, 301 U. S. 278 (1937). Yet the Court below has sacrificed this policy to an absolute rule of priority, eliminating discretion. The Courts of Appeals for the Fourth and Seventh Circuits have specifically rejected the notion that priority alone matters and have preserved an area of discretionary power in which circumstances of a really substantial nature can be taken into account. Resolution of this conflict lies with this Court.*

II.

Apparently in view of the distinction it intended to make between patent cases and insurance cases in discussing the conflict of decision between Circuit Courts of Appeals, and in the effort to lend reality to this superficial difference, respondent has devoted almost its entire brief to the most sweeping charges of bad faith on the part of patent owners in general and petitioner in particular with regard

---

***Respondent cites Milwaukee Gas Specialty Co. v. Mercoid Corp., 104 F. (2d) 589, and E. W. Bliss Co. v. Cold Metal Process Co., 102 F. (2d) 105, as supporting the decision of the court below. We do not so read these cases, but even if they should be so read, they merely broaden the conflict.**

to serving notices of infringement and prosecuting infringers.

There is no question that some patent owners have sought on occasion to enforce their monopoly, not by actual suit, but by harassing tactics and insincere accusations of infringement and threats of suit; or by suits against customers which had no real justification in the relief sought. Long prior to the Declaratory Judgments Act the law recognized such practices to constitute unfair competition and accordingly issued injunctions on a proper showing. *Cold Metal Process Co.* v. *United Engineering & Foundry Co.*, 79 F. (2d) 666, at 670-671, C. C. A. 3; *Lykken et al.* v. *International Pulverizing Corp. et al.*, 35 U. S. P. Q., 153 D. C. D. N. J. And see *Oil Conservation Engineering Co.* v. *Brooks Engineering Co.*, 52 F. (2d) 783, C. C. A. 6, and *Wagner et al.* v. *Meccano, Ltd.*, 239 Fed. 901, at 902, C. C. A. 6. A full examination of the opinion in *Hazeltine Corp.* v. *Atwater Kent Mfg. Co.*, 34 F. (2d) 50 will show that it does not support the conclusion drawn from it by respondent.

The Declaratory Judgments Act gives the alleged infringer an additional and useful safeguard against such an attack by enabling him to force a reluctant patent owner into court. There is no question that this safeguard should be carefully preserved to the public, but it is a disingenuous appeal to prejudice for respondent to pretend that the statutory notices served on it and on Sears, Roebuck by petitioner make this a case where that Act needed to be invoked for this purpose.

It is the evidence that these notices were served only after petitioner had given unqualified instructions to sue, and that notices were sent only to respondent itself and its two largest customers,* who were in sharp competition with petitioner (R. 31-34). Notices were not sent to the

*Jurisdiction of the M. B. Austin Company, respondent's other large customer, could not be obtained in the Michigan suit.

ordinary run of wholesaler customers. Furthermore, the district judge found as fact (R. 28):

> "Plaintiff pretends to fear a campaign of intimidation but presents no basis for such a fear. The affidavit of the vice president and secretary of defendant shows that no such campaign is planned or will be permitted. Defendant has made no threats. There is no evidence of harassment."

On appeal this finding was not disturbed and the court below stated in its first opinion that petitioner's action against Sears involves "a real controversy with a very large infringer" (R. 44). The petition for rehearing did not controvert that finding, and the second opinion of the Court below is consistent with it for it did not direct a restraint of the action aganist Sears, Roebuck. Respondent's imputations of bad faith are groundless.

Not content with impugning petitioner's motive in serving the notices of infringement, respondent goes even further and asserts that in suing Sears, Roebuck as well as respondent in Michigan, petitioner was carrying out a "disingenuous plan," an obvious "device," a "subterfuge" by which to nullify the declaratory judgment action previously instituted (Respondent's brief, p. 7).

It is the undisputed evidence that the joint action against respondent and Sears was brought in accordance with the instructions given before notices of infringement were issued and before the declaratory action was commenced. (R. 31-34). Moreover, the suit against Sears, Roebuck was brought after it had informed petitioner of its policy never to purchase from anyone who brought suit for patent infringement against it, a deliberate effort to use its great economic power as one of the country's largest purchasers to free itself from responsibility for its infringement. (R. 34-38) The court below found as fact that the joinder of Sears "is *not a mere device* designed to avoid the application of the rule of the Crosley case" (R. 44, Emphasis

ours). Respondent's assertions are gratuitous and unwarranted. It was not petitioner's action that was "wholly unnecessary," as asserted by respondent (Respondent's brief, p. 8), but respondent's action, which was filed exactly *one week* after notice of infringement was received, at a time when it was plain to respondent that suit for infringement was imminent.

III.

The present decision puts upon petitioner the burden of litigating its patents twice regardless of the outcome of the Delaware action. Even if the patents are there declared invalid or not infringed, the doctrine of *Kessler* v. *Eldred,* 206 U. S. 285, cited by respondent (Brief, p. 8), will not protect Sears, Roebuck except as to products actually sold to it by respondent and adjudicated in the Delaware action. *Rubber Tire Wheel Co.* v. *Goodyear Tire & Rubber Co.,* 232 U. S. 413; *Selden Co.* v. *General Chemical Co.,* 73 F. (2) 195, C. C. A. 3; *Buckeye Incubator Co. et al.* v. *Boling,* 46 F. (2) 965, C. C. A. 6. The bill against Sears covers other infringing products. On the other hand, if the patents should be held valid and infringed in the Delaware action, Sears, Roebuck would not be affected in any degree by that decision, and a second trial would be necessary even as to the products sold to it by respondent. The supplementary proceeding for an accounting referred to by respondent would apply only to respondent itself.

Respectfully submitted,

DEAN S. EDMONDS
Counsel for Petitioner

JOHN HOXIE
W. PETERS BLANC
of counsel